

Message Text

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INFO OCT-01 ISO-00 EB-08 AID-05 CIAE-00 FRB-03 INR-10
NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 IO-13 NSC-05 SS-15 STR-07
CEA-01 L-03 H-01 DODE-00 PA-01 DOE-15 SOE-02
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TO SECSTATE WASHDC 7715
INFO USDOC WASHDC
AMEMBASSY WARSAW
AMEMBASSY BELGRADE
AMEMBASSY BONN
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY LONDON
AMEMBASSY MOSCOW
AMEMBASSY PARIS
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AMEMBASSY SOFIA
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C O N F I D E N T I A L SECTION 01 OF 02 BERLIN 04409

USDOC FOR BEWT

E.O. 11652: GDS
TAGS: ECON, GE
SUBJ: DIRECTIVE SETS POLICY GUIDELINES FOR GDR 1979
ECONOMIC PLAN

SUMMARY: A JOINT PARTY, TRADE UNION, AND COUNCIL OF
MINISTERS DIRECTIVE HAS LAID DOWN GUIDELINES FOR
PARTICIPANTS IN THE PROCESS OF PREPARING THE GDR'S 1979
ECONOMIC PLAN. THE GUIDELINES CALL FOR AN EFFORT TO
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REGAIN SOME OF THE GROUND LOST THUS FAR IN RESPECT TO
THE TARGET SET IN THE CURRENT FIVE YEAR PLAN FOR GROWTH
OF NATIONAL PRODUCT; AND THEY LAY HEAVY STRESS ON
ECONOMIZING ON THE USE OF ALL FACTORS OF PRODUCTION.
THE OVERALL IMPRESSION IS ONE OF CONTINUING TIGHTNESS
IN GDR ECONOMY, WITH RESTRICTED LABOR, CAPITAL, AND
RAW MATERIAL AVAILABILITY ALL CONTRIBUTING TO A MOOD

OF STRINGENCY. END SUMMARY.

1. A "JOINT DIRECTIVE" OF THE SED CENTRAL COMMITTEE, THE BOARD OF THE FREE GERMAN TRADE UNION CONFEDERATION (FDGB) AND THE GDR COUNCIL OF MINISTERS ON CONDUCT OF THE (ECONOMIC) PLAN DISCUSSION FOR 1979 WAS PUBLISHED JULY 1. OSTENSIBLY SETTING OUT GUIDELINES ON HOW THE 1979 PLAN IS TO BE ELABORATED, THE DIRECTIVE IN EFFECT DEFINES THE REGIME'S BROAD OBJECTIVES IN RESPECT TO THE 1979 ECONOMIC PLAN.

2. PRIMARY AMONG THEM IS TO ACHIEVE A RATE OF GROWTH OF NATIONAL PRODUCT HIGHER THAN THAT ORIGINALLY SET FORTH IN THE CURRENT FIVE YEAR PLAN, I.E., A RATE THAT WILL COMPENSATE FOR EARLIER SHORTFALLS IN THE GROWTH OF NATIONAL PRODUCT, ESPECIALLY IN 1976, AND MAKE POSSIBLE FULFILLMENT OF THE OVERALL FIVE YEAR PLAN GOAL FOR GROWTH OF NATIONAL PRODUCT. IN KEEPING WITH ITS PURPOSE OF OUTLINING THE GROUND RULES FOR CONDUCT OF THE PLAN DISCUSSION, THE DIRECTIVE SETS NO QUANTITATIVE TARGETS, BUT INSTEAD DWELLS AT LENGTH ON PARAMETERS AND INDICES THAT ARE TO RECEIVE PRIMARY ATTENTION IN FORMULATING THE 1979 PLAN. THESE TURN OUT TO BE OVERWHELMINGLY ASSOCIATED WITH INCREASING EFFICIENCY, AND ESPECIALLY ECONOMIZING ON SPECIFIC USE OF ALL FACTORS OF PRODUCTION; LABOR, CAPITAL, AND RAW MATERIALS AND INTERMEDIATE
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INPUTS OBTAINED BOTH DOMESTICALLY AND ABROAD.

3. THUS ENTERPRISES, KOMBINATS, MINISTRIES, AND PLANNERS ARE CALLED UPON TO PLAN IN 1979 FOR SIGNIFICANTLY MORE ECONOMICAL USE OF EXISTING CAPITAL AND GREATER EFFICIENCY IN NEW INVESTMENT AND ARE ASKED TO SHIFT EMPHASIS IN 1979 TOWARD RATIONALIZATION IN EXISTING ENTERPRISES AND AWAY FROM COSTLY INDUSTRIAL CONSTRUCTION PROJECTS. NEW INVESTMENTS ARE ALSO TO BE ANALYZED MORE CRITICALLY IN RESPECT TO THEIR CONTRIBUTION TO FREEING LABOR FOR THE MULTI-SHIFT MANNING OF CRITICAL CAPITAL PLANT.

4. RAW MATERIALS AND FINANCIAL RESOURCES ARE TO BE HANDLED MORE ECONOMICALLY THAN HERETOFORE, WITH 1979 PLAN TARGETS BASED IN PART ON A CRITICAL REVIEW OF EXISTING MATERIAL USE NORMS, STRICT OBSERVANCE OF GLOBAL NORMS, AND IMAGINATIVE USE OF SECONDARY RAW MATERIALS.

5. DISCUSSION OF FOREIGN ECONOMIC RELATIONS FOCUSES ON THE PRE-EMINENCE OF THE USSR AND OTHER COMMUNIST COUNTRIES IN THE GDR'S TRADE RELATIONS. IN RESPECT TO RELATIONS WITH NON-SOCIALIST COUNTRIES, THE TASK

IS TO RAISE EXPORTS, WITH "EVERY PLANT, KOMBINAT, AND MINISTRY" REQUIRED TO REVIEW CRITICALLY THE HARD-CURRENCY PROFITABILITY OF OUTPUT MARKETED IN THE WEST WITH A VIEW TO IMPROVING HARD-CURRENCY EXPORT EARNINGS. ON THE IMPDRT SIDE, SUBSTITUTION AND ECONOMIZING ON THE USE OF IMPORTED GOODS ARE SET FORTH AS CENTRAL OBJECTIVES.

6. A FINAL SECTION OF THE DIRECTIVE TAKES UP QUESTIONS OF MANAGEMENT, DISCUSSING ENTERPRISE "COUNTER-PLANS," ESTABLISHING SUPPLEMENTARY BONUS PAYMENTS TO WORKERS FOR OVERFULFILLMENT OF PLAN GOALS, AND CALLING ON MANAGERS

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TO CARRY OUT A BROAD DISCUSSION WITH PRODUCTION WORKERS THEMSELVES ON THE INDIVIDUAL OBLIGATIONS ENTAILED BY THE PLAN.

7. COMMENT: THE PICTURE OVERALL SKETCHED BY THE

DIRECTIVE ON THE 1979 PLAN DISCUSSION IS ONE OF
CONTINUED GREAT TIGHTNESS IN RESPECT TO AVAILABILITY
OF FACTORS OF PRODUCTION, EASING OF THE PACE OF INVEST-
MENT, ESPECIALLY IN NEW PROJECTS REQUIRING CONSTRUCTION,
AND A POSSIBLE STEP-UP IN THE USE OF DIRECT MATERIAL
INCENTIVES AS A MEANS OF CALLING FORTH INCREASED EFFORT
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FROM THE LABOR FORCE IN A PERIOD OF OVERALL ECONOMIC
STRINGENCY. END COMMENT. BOLEN

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